



SASK SPORT

GUIDELINES FOR THE PREPARATION OF AUDITED FINANCIAL STATEMENTS FOR PROVINCIAL SPORT ORGANIZATIONS

SEPTEMBER 2020



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INTRODUCTION

The purpose of the Guidelines for the Preparation of Audited Financial Statements for Provincial Sport Organizations is to guide and inform the Provincial Sport Organizations (PSOs) and their external auditor of the follow-up process, the various Sask Lotteries Trust Fund regulations and grant guidelines and establish a standardized financial statement format.

A major benefit of this handbook is that it draws information from various sources into one document. Thus, it serves as a quick source of reference for the PSOs and their auditors. It provides auditors with a better understanding of the Trust Fund grants and the eligible expenditures under the various funding blocks of the grants. The handbook describes the Annual Funding spending blocks and the programs and services that are eligible for Trust funding.

As the PSOs will have an indication of the types of information the auditor will require to perform the audit, they can ensure this type of information is prepared on a timely basis. Thus, the audit can be performed on a more timely and cost-efficient basis, ensuring that the audited financial statements and related follow-up reports are more easily prepared and are submitted to the Trust Fund within the required period.

Financial statements include a statement of financial position, statement of operations and changes in net assets and statement of cash flows. Notes to the financial statements and supporting schedules to which the financial statements are cross-referenced are an integral part of such statements. The notes and supporting schedules are useful for the purpose of clarification or further explanation of the items in the financial statements. They have the same significance as if the information or explanations were set forth in the body of the statements themselves. They should not, however, be used as a substitute for proper accounting treatment.

Generally accepted accounting principles (GAAP) is the term used to describe the basis on which financial statements are normally prepared. GAAP encompass not only specific rules, practices and procedures relating to particular circumstances but also broad principles and convention of general application. Specifically, GAAP comprise the Accounting Recommendations in the CPA Canada Handbook and, when a matter is not covered by a Recommendation, other accounting principles that either:

- 1) are generally accepted by virtue of their use in similar circumstances by a significant number of entities in Canada: or
- 2) are consistent with the recommendations in the CPA Canada Handbook and are developed through the exercise of professional judgment, including consultation with other informed accountants where appropriate. In exercising professional judgment, established principles for analogous situations dealt with in the CPA Canada Handbook would be taken into account and references would be made to:
 - a) other relevant matters dealt with in the CPA Canada Handbook;
 - b) practice in similar circumstances;
 - c) Accounting Guidelines published by the Accounting Standards Board;
 - d) International Accounting Standards published by the International Accounting Standards Committee;
 - e) standards published by bodies authorized to establish financial accounting standards in other jurisdictions;

- f) CPA Canada research studies; and
- g) other sources of accounting literature such as textbooks and journals.

The relative importance of the various sources is a matter of professional judgment in the circumstances.

The objective of an audit of financial statements is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian GAAP, or in special circumstances another appropriate disclosed basis of accounting. Such an opinion is not an assurance as to the future viability of an Organization or an opinion as to the efficiency or effectiveness with which its operations have been conducted. In their performance of an audit of financial statements, the auditor complies with Canadian auditing standards (CASs), which relate to the auditor's qualifications, the performance of the audit and the preparation of his or her report. These standards are set out in the CPA Canada Handbook - Assurance.

The auditor performs the audit with an attitude of professional skepticism and seeks reasonable assurance that the financial statements are free of material misstatement. The auditor designs auditing procedures and exercises professional judgment in determining the nature, extent and timing of those procedures, in evaluating their results and in assessing determinations made by management. Absolute assurance in auditing is not attainable as a result of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much evidence available to the auditor is persuasive rather than conclusive in nature.

GENERAL GRANT GUIDELINES

Grants are approved with the understanding that the funds are to be used for eligible purposes adhering to the grant policies and guidelines. In the event funds are not used in accordance with policies and guidelines, they will be required to be returned to the Sask Lotteries Trust Fund.

Sask Sport and the Sask Lotteries Trust Fund uses the audited financial statements presented by each sport organization to monitor the expenditure of grants and to assist in the evaluation of future applications. PSOs are eligible to apply for Annual Funding grants based on performance area goals & eligible expenditures as outlined in the following section. They may be eligible to apply for other specific use grants as well.

The grant applications are approved based on the budget and program detail identified in the grant application. Any changes to this approved budget should be clearly identified in the organization's Board minutes. It is important that Sask Sport and the Sask Lotteries Trust Fund receive accurate information, through the audited financial statements, regarding how funds were expended. Classifications of revenues and expenses should be segregated by program, i.e. as a separate line item or schedule within the financial statement.

Areas not eligible for support from Lottery funding are as follows:

- Capital expenditures – no support is available for construction, renovations, or upgrading facilities
- Alcoholic beverages
- Cash prizes
- Off-continent travel
- Food expenditures – the intent of Trust funds is not to support food-related expenditures. Out-of-pocket meal costs for volunteers and/or staff who are working on behalf of the organization are justifiable; however, food expenses for banquets and dinners are considered to be an inappropriate use of Trust funds. Organizations are encouraged to use self-help revenue or have users pay to cover food costs for these purposes. (Some exceptions to food costs may be made within the SLCGP)
- Debt repayment
- Payment of money returns owed to the Sask Lotteries Trust Fund
- Other expenses that the Sask Lotteries Trust Fund may deem inappropriate.

Under extenuating circumstances, the Trust Fund may give consideration to circumstances that are essential to the development of a provincial sport organization but cannot be met or are limited through the existing guidelines. The process for requesting an extenuating circumstances review is provided within the application.

Annual Funding and most other grant follow-ups must be submitted to the Sask Lotteries Trust Fund within ninety (90) days of an organizations' fiscal year end, unless otherwise specifically indicated within the grant policies. It is expected that audited financial statements will be prepared and approved by the Board within 90 days of the fiscal year end.

Annual funding grants will be paid in two installments. Associations will receive their first payment following the satisfactory approval of their application submission, but no earlier than thirty (30) days prior to the start of an organization's fiscal year. This payment will be based on 50% of their current level. The second grant payment will be paid out upon satisfactory review and approval of the follow-up report which will be used to determine the total eligible Annual Funding grant.

When there is concern about an organization's ability to be accountable for Trust funds, as in the following situations:

- follow-up reports on previous grants are outstanding,
- the organization ceased to meet eligibility criteria,
- the organization's operations are suspended,
- the organization is in a deficit situation,

then the Sask Lotteries Trust Fund may, in consultation with Sask Sport, withhold grant payment(s) until some specified action to rectify the situation has occurred. The organization will be notified in writing of the suspended payments.

Funds may be returned to the Trust Fund under the following circumstances:

- funds are not used in the manner for which they are approved,
- the total grant allocation was not expended within the required fiscal time period,
- the project has been completed and the total grant allocation was not expended,
- the association is unable to meet the follow-up requirements,
- any other reasons which would bring into question the misuse or misappropriation of Trust funds.

Repayment of grant returns is required immediately, or the grant follow-up will be considered outstanding. Further funding is not granted to an organization with outstanding follow-up reports.

PSO PERFORMANCE AREA GOALS & ELIGIBLE ANNUAL FUNDING EXPENDITURES

ADMINISTRATION

- Organizations are supported for the administrative functions required for effective and efficient management of the organization.
- The following areas are eligible for support:
 - Executive Director/Administrator
 - Administrative support staff
 - Relocation, recruitment and selection expenses for administrative staff
 - Office operations expenses including office supplies, phone, internet, photocopying, rent, utilities, etc.
 - Insurance
 - Legal
 - Audit
 - Staff travel and sustenance

CAPACITY/INTERACTION

Capacity

- A provincial sport system comprised of organizations, individuals, communities and institutions with sufficient dedicated financial and human resources to sustain development and enable growth.

Interaction

- The components of the sport system are better connected, coordinated and accountable as a result of committed collaboration and communication amongst stakeholders.
- The following areas are eligible for support:
 - Planning
 - Leadership/Professional development (Volunteer and/or staff)
 - Delegates to conferences/symposiums/national meetings
 - Awards & Recognition
 - Hosting
 - Policy Development and Maintenance
 - Communications (newsletters, websites, etc.)
 - Board and Committee meetings including travel and sustenance
 - Provincial Annual General Meeting
 - National Sport Organization meetings
 - Promotions/marketing
 - Memberships (in other organizations, including National Dues)

PARTICIPATION

- Saskatchewan residents will engage in quality sport programs that will provide opportunities for communities, volunteers and athletes to participate in sport within the Long-Term Athlete Development stages of: Active Start, FUNdamentals, Learn to Train, Train to Train, and Active for Life.
- Activities which develop the sport up to and including the provincial level are eligible in this area as follows:

Athlete Development

- **Introductory programs** - Learn-to programs, public participation opportunities, new club development, equipment, training, facility rentals, travel & sustenance, etc.
- **Under-represented population initiatives** - programs for Indigenous people, youth at risk, people with a disability, northern residents, immigrants and the economically disadvantaged.
- **Competition** - playdowns, local competitions and provincial championships.

Coaching Development

- Provincial Coach/Technical staff salary and/or expenses
- Volunteer coaching development - clinics, honorariums, upgrading, technical materials, etc. up to provincial competition level.

Officials Development

- Clinics, technical materials, rulebooks, upgrading, etc. up to provincial competition level.

EXCELLENCE

- Create an increased pool of Saskatchewan athletes, coaches, officials and teams who are systematically achieving success at regional, national and international levels through fair and ethical means following Canadian Sport for Life principles.
- Activities which develop the sport beyond the provincial level (i.e. regional, national or international) are eligible in this area as follows:

Athlete Development

- Talent ID
- Training
- Competition
- Athlete Assistance

Coaching Development

- Provincial Coach/Technical staff salary and/or expenses
- Volunteer coaching development - clinics, honorariums, upgrading, technical materials for coaching past the provincial level.

Officials Development

- Professional upgrading, travel & sustenance, technical materials for officials development past the provincial level.

Sport Medicine & Science

- Sport psychology, sport medicine, sport therapy, nutrition, biomechanics, exercise physiology, fitness testing, etc.

THE AUDIT PROCESS

Audited financial statements approved by the PSO's Board, must be submitted to the Trust Fund within 90 days of the PSO's year end. The financial statements must be audited by a firm which is recognized by the Chartered Professional Accountants Saskatchewan.

The firm which performs the audit of the PSO must follow generally accepted auditing standards as set out in the CPA Canada Handbook - Assurance. These standards require that the audit be properly planned and supervised. The firm should be selected by the Board of Directors and appointed by the membership at the Annual General Meeting for the following fiscal year end. The PSO should contact the firm well in advance of the organization's year end in order to finalize the terms of engagement and the timing required to finalize the audit within 90 days of the organization's year end.

The audit firm and the PSO should discuss and agree on what information will be required for the timely and efficient audit of the organization. Generally, the audit firm will request certain working papers be prepared by the PSO. The following is a listing of the type of information that may be required by the auditor:

- monthly bank reconciliations and bank statements,
- general ledger, trial balance, disbursements and cash receipts journal,
- detailed accounts payable listing as at the year-end date,
- detailed accounts receivable listing as at the year-end date as well as an indication of which receivables may be uncollectible,
- inventory listing as at the year-end date, including the number of items on hand and the purchase price,
- detailed listing of investments/marketable securities as at year end date and supporting brokers statements,
- detailed listing of fixed asset additions and disposals and supporting invoices,
- copies of minutes of board meetings held during the year,
- copies of contracts or leases,
- Sask Sport funding information including direct confirmation from Sask Lotteries Trust Fund regarding grant amounts received by the PSO.

In general terms, all documents (such as invoices, payment vouchers, cancelled cheques, etc.) should be well organized and easily accessible by the auditor. Generally, documents should be filed alphabetically by payee, or numerically by prenumbered document (e.g. cheque number).

It is important to realize that while the organization's auditor may offer suggestions as to financial statement format, the format of the organization's financial statements is the responsibility of the organization itself.

At the completion of its annual audit, an organization should normally receive a report from its auditor discussing any opportunities for improved internal controls or increased operating efficiencies.

STANDARDIZED FINANCIAL STATEMENT FORMAT

The financial statements for a Sample PSO contained in Appendix 1 establish the standard format which should be followed in preparing the financial statements for a PSO. This format enables the PSO to complete the follow up procedures required by the Trust Fund in an efficient and timely manner.

The standard format has been prepared as a general guideline. Although this format should be followed as closely as possible, the sample financial statements do not take all possible alternatives into consideration. Thus, the financial statements should be tailored to meet the needs of the various PSOs. However, the revenue derived from the Sask Lotteries Trust Fund **MUST** be clearly indicated with the words “Sask Lotteries Trust Fund, Sport Division” or “Sask Lotteries Trust Fund for Sport, Culture and Recreation”.

As stated in the introductory section, generally accepted accounting principles should be used in the preparation of the financial statements. Particular attention should be paid to Part III Accounting Standards for Not for Profit Organizations of the CPA Canada Handbook. The recommendations in this section of the CPA Canada Handbook include the following:

- financial statements should be prepared using the accrual basis of accounting,
- donated property, plant and equipment should be recorded at fair value when fair value can be reasonably estimated,
- an organization may choose to record the value of donated materials and services, but should do so only when a fair value can be reasonably estimated and when the materials and services are normally purchased by the organization and would be paid for if not donated,
- the policy followed in accounting for donated materials and services should be disclosed,
- the nature and amount of donated materials and services received in the period and recorded in the financial statements should be disclosed,
- if significant, fixed assets should be capitalized and amortized,
- pledges must be recognized as revenue in the period in which they are received or receivable if collection of the amount is reasonably assured,
- contributions received for future operating expenses should be deferred and recognized as revenue in the same period or periods as the related expenses are recognized,
- contributions received for the purchase of future capital assets should be deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset,
- contributions received for the purchase of future capital assets that will not be amortized should be recognized as a direct increase to net assets,
- when allocations of general and/or fundraising costs are made to other functions the organization must disclose the policies related to the allocations, the nature of the expenses being allocated and the basis on which such allocations have been made and the functions to which they have been allocated,

- revenues and expenses must be recognized on a gross basis when an organization is acting as the principal in the subject transactions and may only be reported on a net basis when acting as an agent.

Once the auditors have completed their work, provided the Independent Auditors' Report and the audited statements have been approved by the Board of Directors, the statement of financial position should be signed by two directors of the PSO, preferably the Treasurer and the President as evidence of the Board's approval. These signed financial statements should be stored in a safe place and should be retained for the life of the organization.

APPENDIX 1. SAMPLE FINANCIAL STATEMENT

Audited Financial Statements of
Sample PSO Inc.
Year ended March 31, 2020

MANAGEMENT'S RESPONSIBILITY COMMUNICATION

**To the Members,
Sample PSO Inc.**

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting policies and making objective judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors. An Audit Committee of Directors is appointed by the Board to review financial statements in detail with management and to report to the Board of Directors prior to their approval of the financial statements for publication.

Independent auditors appointed by the members audit the financial statements and meet separately with both the Audit Committee and management to review their findings. The independent auditors report directly to the members and their report follows. The independent auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Organization's financial reporting and the adequacy of the system of internal controls.

President

Treasurer

INDEPENDENT AUDITORS' REPORT

To the Members, Sample PSO Inc.

Opinion

We have audited the financial statements of **Sample PSO Inc.**, which comprise the non-consolidated statement of financial position at March 31, 2020 and the non-consolidated statements of operations, changes in net assets and cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

...continued

Sample PSO Inc.

INDEPENDENT AUDITORS' REPORT continued

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Date

Regina, Saskatchewan

Chartered Professional Accountants

Sample PSO Inc.

Statement of Financial Position

March 31, 2020 with comparative figures for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ XX	\$ XX
Accounts receivable	XX	XX
Investments	XX	XX
Grants receivable (Note 4)	XX	XX
Prepaid expenses	XX	XX
Inventory	XX	XX
	XX	XX
Invested in Sport Legacy Fund	XX	XX
Tangible capital assets (Note 5)	XX	XX
	\$ XX	\$ XX
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ XX	\$ XX
Grant returns payable (Note 6)	XX	XX
Deferred grant revenue (Note 7)	XX	XX
	XX	XX
Deferred Sport Legacy Fund	XX	XX
Net Assets		
Invested in tangible capital assets	XX	XX
Unrestricted	XX	XX
	XX	XX
	\$ XX	\$ XX

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

Sample PSO Inc.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2020 with comparative figures for 2019

		2020		2019
Revenues:				
Sask Lotteries Trust Fund, Sport Division (Schedule 1)	\$	XX	\$	XX
National Sport Organization revenue		XX		XX
Self help (Schedule 2)		XX		XX
		XX		XX
Expenses:				
Administration (Schedule 3)		XX		XX
Capacity/Interaction (Schedule 4)		XX		XX
Participation (Schedule 5)		XX		XX
Excellence (Schedule 6)		XX		XX
Categorical grant expenses (Schedule 7)		XX		XX
Membership Assistance Payments (Schedule 8)		XX		XX
Other				
1 Cash prizes		XX		XX
1 Facility construction or upgrading		XX		XX
1 Off-continent travel		XX		XX
1 Social events		XX		XX
2 Fundraising expenses		XX		XX
2 Promotional merchandise expense		XX		XX
2 Sponsorship expenses		XX		XX
		XX		XX
Net revenues over expenses		XX		XX
Net assets, beginning of year		XX		XX
Unrealized gains/(losses) on market value adjustment of investments measured at fair value		XX		XX
Net assets, end of year	\$	XX	\$	XX

See accompanying notes to financial statements.

NOTES - not part of financial statements:

1. These expense categories are ineligible for Trust Funding.
2. These expenses relate to self help revenues.

Sample PSO Inc.

Statement of Cash Flows

Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net revenues over expenses	\$ XX	\$ XX
Item not affected by cash:		
Amortization of tangible capital assets	XX	XX
Net change in non-cash working capital items:		
Accounts receivable	XX	XX
Grants receivable	XX	XX
Prepaid expenses	XX	XX
Inventory	XX	XX
Accounts payable	XX	XX
Deferred grant revenue	XX	XX
Grant returns payable	XX	XX
Investing activities:		
Purchase of investments	XX	XX
Proceeds from disposal of investments	XX	XX
Increase (decrease) in cash during the year		
Cash, beginning of year	XX	XX
Cash, end of year	\$ XX	\$ XX

See accompanying notes to financial statements.

Sample PSO Inc.

Notes to Financial Statements

March 31, 2020

1. Nature of operations:

The Sample PSO Inc. is incorporated under *The Non-profit Corporations Act of Saskatchewan*. The Sample PSO Inc. exists to coordinate, encourage and facilitate the development of sport XXX in Saskatchewan. As a non-profit organization, Sample PSO Inc. is exempt from income taxes.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in revenues or expenses in the period in which they become known. The financial statements reflect the following significant accounting policies:

Cash and cash equivalents:

Cash consists of cash on hand and bank deposits. Highly liquid investments with maturities of one month or less at the date of purchase are considered to be cash equivalents.

Inventory:

Inventories are valued at the lower of cost and net realizable value and consist of promotional materials and NCCP manuals.

Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization is provided on the straight-line basis at the following annual rates based on the estimated useful lives of the assets:

Equipment	xx%
Furnishings	xx%

Revenue recognition:

Grants from Sask Lotteries Trust Fund for Sport, Culture and Recreation are received out of the net proceeds of lottery ticket sales in Saskatchewan. These grants have been recorded as revenue by Sample PSO Inc. as approved by Sask Lotteries Trust Fund for Sport, Culture and Recreation for the year ended March 31, 2020. Accordingly, any amounts not received by year end are shown as grant receivable and any amounts received relating to the next fiscal period are shown as deferred grant revenue.

Unrestricted contributions, fees and investment income are recognized in revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized in revenue in the year in which the related expenses are incurred.

Sample PSO Inc.

Notes to Financial Statements

March 31, 2020

2. Significant accounting policies (continued):

Financial Instruments – recognition and measurement:

All financial assets and financial liabilities are recorded on the statement of financial position when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial acquisition, except for certain related party transactions. Measurement in subsequent periods of investments traded in an active market is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the life of instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in net revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value improves.

Contributed services:

Volunteers contribute an indeterminable number of hours to assist the Organization in carrying out its activities. The value of this contribution is not recognized in these financial statements.

3. Change in accounting policy:

During the year, the Organization adopted a new accounting standard issued by the CPA Canada Handbook Accounting Standards for Not-for-Profit Organizations: Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. The adoption of this new standard did not result in significant changes to the reported results of the Organization.

4. Grants receivable:

	2020	2019
Sask Lotteries Trust Fund for Sport, Culture and Recreation	\$ xx	\$ xx
Other	xx	xx
	\$ xx	\$ xx

Sample PSO Inc.

Notes to Financial Statements

March 31, 2020

5. Tangible capital assets:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Office equipment	\$ xx	\$ xx	\$ xx	\$ xx
Office furnishings	xx	xx	xx	xx
	\$ xx	\$ xx	\$ xx	\$ xx

6. Grant returns payable:

Sample PSO Inc. receives annual funding from Sask Lotteries Trust Fund for Sport, Culture and Recreation with the understanding that the funds are to be used for eligible purposes adhering to the policies and guidelines. In the event funds are not used in accordance with the policies and guidelines, they must be returned to Sask Lotteries Trust Fund for Sport, Culture and Recreation. At March 31, 2020 Sample PSO Inc. had \$ xx in grant returns payable to the Sask Lotteries Trust Fund (2019 - \$ xx).

7. Deferred grant revenue:

During 2020, Sample PSO Inc. received \$xx from the Sask Lotteries Trust Fund for expenses which will occur in the following fiscal year (2019 - \$xx).

8. Economic dependence:

Sample PSO Inc. currently receives significant revenue in grants from Sask Lotteries Trust Fund for Sport, Culture and Recreation. As a result, the Organization is dependent upon the continuance of these grants to maintain operations at their current level.

9. Financial risk management:

[1]The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The financial instruments of the Organization include cash, accounts receivable, grants receivable, investments, accounts payable, and grant returns payable. The significant risks to which the Organization is exposed are:

Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Organization's investment in publicly traded securities such as mutual funds expose the Foundation to market price risk. The Organization does not use any derivative financial instruments to alter the effects of this risk.

Sample PSO Inc.

Notes to Financial Statements

March 31, 2020

9. Financial risk management (continued):

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's credit risk exposure on cash and investments is minimized by ensuring that these instruments are held with credible financial institutions. The Organization's credit risk exposure on accounts receivable is minimized because receivables are from a variety of individuals and organizations.

Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk to the extent that the investments held include variable rate term deposits.

Liquidity risk:

Liquidity risk is the risk that an Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the receipt of funds from members and activities of the Organization, grants from the Sask Lotteries Trust Fund and interest on investments. Funds from these sources are used to finance operations and are considered adequate to meet the Organization's financial obligations.

10. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

NOTES [1]

Only disclose significant risks applicable to your Organization.

Sample PSO Inc.

Schedule 1 – Sask Lotteries Trust Fund – Sport Division

Year ended March 31, 2020 with comparative figures for 2019

		2020		2019
Annual Funding	\$	XX	\$	XX
4 High Performance Coach Employment		XX		XX
2 Hosting		XX		XX
3 Membership Assistance Program		XX		XX
1 PSO Student Athlete Awards		XX		XX
1 Special Projects		XX		XX
1 University Athletic Assistance		XX		XX
	\$	XX	\$	XX

Schedule 2 – Self Help Revenue

Year ended March 31, 2020 with comparative figures for 2019

		2020		2019
Internal				
Competition and Clinic Fees	\$	XX	\$	XX
Membership Fees		XX		XX
Team/Athlete Fees		XX		XX
External				
1 CSCS Future Best		XX		XX
Donations		XX		XX
Fundraising revenue		XX		XX
Interest		XX		XX
Lottery Commissions		XX		XX
National Sport Organization		XX		XX
5 Other grants (should refer to point 5 below)		XX		XX
Sales		XX		XX
Sponsorships		XX		XX
	\$	XX	\$	XX

See accompanying notes to financial statements.

NOTES – not part of financial statements:

1. Expenses should be reported separately under Categorical grants.
2. Expenses should be reported separately under Capacity/Interaction. If the PSO ran the event rather than giving a grant to the host organization, expenses could be reported in either Participation or Excellence depending on the type of event but should be identified separately.
3. Expenses should be tracked separately with each recipient listed in the schedule.
4. Expenses should be tracked separately under Categorical grants or under Excellence.
5. Other grants received should be listed separately under External or in their own schedule.

Sample PSO Inc.

Schedule 3 – Administration Expenses

Year ended March 31, 2020 with comparative figures for 2019

		2020		2019
Amortization	\$	XX	\$	XX
Audit		XX		XX
Bad debt		XX		XX
Insurance		XX		XX
Legal		XX		XX
Office operations				
Phone/internet		XX		XX
Printing/photocopying		XX		XX
Rent		XX		XX
Supplies		XX		XX
Staff relocation, recruitment and selection		XX		XX
Staff salaries and benefits		XX		XX
Staff travel		XX		XX
	\$	XX	\$	XX

Schedule 4 – Capacity/Interaction Expenses

Year ended March 31, 2020 with comparative figures for 2019

		2020		2019
Awards and recognition	\$	XX	\$	XX
Communications (<i>ie website</i>)		XX		XX
Conferences and symposiums		XX		XX
Hosting		XX		XX
Marketing and promotions		XX		XX
Meetings				
Annual General Meeting		XX		XX
Board and committee meetings		XX		XX
National meetings		XX		XX
Memberships (<i>in other organizations – Sask Sport, National Sport Organizations, etc</i>)		XX		XX
Planning and policy development		XX		XX
Professional and leadership development (<i>board or staff</i>)		XX		XX
	\$	XX	\$	XX

See accompanying notes to financial statements.

Sample PSO Inc.

Schedule 5 – Participation Expenses

Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
Athlete Development		
Competition	\$ XX	\$ XX
Introductory programs	XX	XX
Under-represented population initiatives	XX	XX
Coaching Development		
Salary and benefits	XX	XX
Coach travel	XX	XX
Introductory coaching clinics and coach professional development	XX	XX
Officials Development		
Introductory clinics	XX	XX
Technical materials	XX	XX
	\$ XX	\$ XX

Schedule 6 – Excellence Expenses

Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
Athlete Development		
Athlete Assistance	XX	XX
Competition	XX	XX
Talent identification	XX	XX
Training	XX	XX
Coaching Development		
Professional Development	XX	XX
Salary and benefits	XX	XX
Coach travel	XX	XX
Officials Development		
Officials travel	XX	XX
Professional upgrading	XX	XX
Sport Medicine and Science	XX	XX
	\$ XX	\$ XX

See accompanying notes to financial statements.

Sample PSO Inc.

Schedule 7 – Categorical Grant Expenses

Year ended March 31, 2020 with comparative figures for 2019

	2020		2019	
CSCS Future Best	\$	xx	\$	xx
1 High Performance Coach Employment		xx		xx
PSO Student Athlete Awards		xx		xx
Special Projects		xx		xx
University Athletic Assistance		xx		xx
	\$	xx	\$	xx

NOTES – not part of financial statements:

1. *Can be reported under Excellence but must be separately listed. Should include all expenses for the Coach position - ie the 1/3 expense being contributed by the Organization as well.*

Schedule 8 – Membership Assistance Grant Payments

Year ended March 31, 2020 with comparative figures for 2019

	2020		2019	
Club A	\$	xx	\$	xx
Club B		xx		xx
Club C		xx		xx
	\$	xx	\$	xx

See accompanying notes to financial statements.